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Bulletin

David Harris, Director

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Tax Incentives for Qualifying Illinois Data Centers

This bulletin supersedes FY 2020-04 (N-9/19).

Illinois Public Act (P.A.) 101-0031 allows qualifying Illinois data centers to claim certain tax incentives from Illinois sales and use tax and Illinois income tax.

New and existing data centers seeking these tax incentives must first apply to the [Department of Commerce and Economic Opportunity](#) (DCEO). DCEO will determine whether the applicant qualifies for the tax incentives and, if so, issue the certification. This bulletin provides instruction for the certificate holder to access these tax incentives.

How is a “data center” defined?

The Act defines a “data center” as a facility whose primary services are the storage, management, and processing of digital data and that is used to house

- computer and network systems, including associated components such as servers, network equipment and appliances, telecommunications, and data storage systems;
- systems for monitoring and managing infrastructure performance, Internet-related equipment and services, data communications connections, environmental controls, fire protection systems; and
- security systems and services.

In general, the data center must be located in Illinois and must be carbon neutral or have attained certification under certain green building standards. The data center also must meet certain statutory capital investment thresholds and certain job creation thresholds.

When do the tax benefits become available?

The tax benefits become available once the data center has applied and has received certification from DCEO. Visit the [DCEO website](#) for information about applying for a certificate. The income tax credit is available for taxable years beginning on or after January 1, 2019. See the next page for more details.

What exemptions from sales and use tax may a qualifying Illinois data center claim?

P.A. 101-0031 allows the DCEO exemption certificate holder to purchase qualified tangible personal property exempt from sales and use tax.

The Act defines “qualified tangible personal property” as all tangible personal property that is essential to the operations of a computer data center. Qualified tangible personal property includes building materials physically incorporated into the qualifying Illinois data center. Qualified tangible personal property also includes:

- electrical systems and equipment;
- climate control and chilling equipment and systems;
- mechanical systems and equipment;
- monitoring and secure systems;
- emergency generators;
- hardware;
- computers;
- servers;
- data storage devices;
- network connectivity equipment;
- racks;
- cabinets;
- telecommunications cabling infrastructure;
- raised floor systems;
- peripheral components or systems;
- software;
- mechanical, electrical, or plumbing systems;
- battery systems;
- cooling systems and towers;
- temperature control systems;
- other cabling; and
- other data center infrastructure equipment and systems necessary to operate qualified tangible personal property, including fixtures and component parts of any of the foregoing, and also including the following:
 - installation, maintenance, repair, refurbishment, and replacement of qualified tangible personal property to generate, transform, transmit, distribute, or manage electricity necessary to operate qualified tangible personal property; and
 - all other tangible personal property that is essential to the operations of a computer data center.

Certificate holders wishing to make an exempt purchase must provide the seller a copy of the certificate issued by DCEO. The seller must retain in its records a copy of the purchaser’s certificate issued by DCEO.

How does a retailer report an exempt sale?

The retailer must report all receipts from sales, including exempt sales, on Step 2, Line 1 of the Form ST-1, Sales and Use Tax and E911 Surcharge Return. These tax-exempt receipts are then claimed as a deduction on Schedule A, Line 16, Other.

What income tax credit may a qualifying Illinois data center claim?

DCEO awards a certificate for a credit against income tax. The certificate holder may apply the credit against the taxes imposed under Sections 201(a) and 201(b) of the Illinois Income Tax Act. This credit cannot reduce a taxpayer’s liability to less than zero, and any excess credit may be carried forward and applied to its tax liability for five taxable years. The credit is in the amount of 20 percent of the wages paid during the taxable year to a full-time or part-time employee of a construction contractor employed by a qualified data center in the construction of a new qualified Illinois data center in a geographic area that meets certain statutory criteria, as certified by DCEO.